

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 SSO-00 AGRE-00 NSCE-00 SP-02

USIA-06 AID-05 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 COME-00 L-03 OES-06 CIAE-00 INR-07

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E.O. 11652: N/A

TAGS: ETRD, EINV, USINJC, IN

SUBJECT: USINJC: PLANNING FOR ECONOMIC-COMMERCIAL SUBCOMMISSION

REF: (A) STATE 288083, (B) STATE 296834

1. WE BELIEVE E & C SUBCOMMISSION HAS TO SEEK JUDICIOUS MIX OF NUTS AND BOLTS PROBLEMS AND BROADER ISSUES OF CURRENT CONCERN. SPECIFIC CASES WE RAISE AT SUBCOMMISSION MEETING SHOULD NOT ONLY BE OF SUFFICIENT IMPORTANCE TO WARRANT ATTENTION OF CO-CHAIRMEN, BUT ALSO SHOULD BE ILLUSTRATIVE OF OUR CONTENTION THAT INDIA LIMITS THE BENEFITS TO BE OBTAINED FROM U.S. PRIVATE SECTOR THROUGH ITS BUREAUCRATIC RIGIDITIES AND POLICIES. SOME EFFORT SHOULD BE MADE TO PREVENT SUBCOMMISSION FROM BECOMING MERELY A FORUM FOR EXCHANGE OF TRADE COMPLAINTS.

2. MUCH OF GOI'S PROBLEM IN RESPONDING TO U.S. INTEREST IN DISCUSSING NORTH-SOUTH ISSUES IN SUBCOMMISSION IS THAT POLICY MAKING AUTHORITY IS DISPERSED ON FUNCTIONAL LINES WITH FINANCE MINISTRY HAVING RESPONSIBILITY FOR DEBT AND AID FLOWS; THE COMMERCE MINISTRY FOR MTN AND UNCTAD; ETC. FOREIGN MINISTRY MANAGES CIEC; EFFECTIVELY AS COORDINATOR OR EVEN CENTRAL LISTENING POST. NONETHELESS, EMBASSY FEELS THAT IT IS GREATLY IN LONGTERM U.S. INTEREST TO PURSUE A BILATERAL DIALOGUE ON THESE ISSUES--INDEED, CREATE ONE. SENDING STIMULUS THROUGH NEW AMBASSADOR IN WASHINGTON SHOULD BRING HELPFUL RESPONSE HERE.

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3. MUCH OF CONTENT IN THIS AREA WILL DEPEND ON RELATIVE TIMING OF

CIEC MINISTERIAL. BUT HERE TOO POLICY ISSUES CAN BE GIVEN CON-
CRETE EXPRESSION. FOR EXAMPLE, NEXT SPRING WOULD SEEM GOOD
OPPORTUNITY FOR EXCHANGE OF VIEWS ON BRINGING MTN TO A CONCLUSION
AND PERHAPS ON GATT "FRAMEWORK" REFORM. DEPT MIGHT ALSO SEEK TO
USE OCCASION TO GET GOI TO LOOK AT MULTILATERAL ASPECTS OF MNCS,
I.E. PROSPECTS FOR INTERNATIONAL CONENTION ON ILLICIT PAYMENTS
IN PARTICULAR AND PERHAPS MNC CODE OF CONDUCT. ANOTHER POSSIBILITY
WOULD BE TO DISCUSS OPERATING GUIDELINES FOR ONE OR TWO INTER-
NATIONAL INSTITUTIONS IN WHICH BOTH COUNTRIES HAVE A MAJOR IN-
TEREST; WE ARE THINKING IN PARTICULAR OF IFAD.

4. TRANSFER OF TECHNOLOGY IS A MATTER OF KEENEST INTEREST TO INDIAN
GOVERNMENT. FOR THE MOST PART THEY RECOGNIZE THAT THE SOURCES FOR
THE TECHNOLOGY THEY NEED IS IN THE PRIVATE SECTOR. THEIR GOAL OF
USING THE JOINT COMMISSION AS A FRAMEWORK FOR STIMULATING U.S.
"INVESTMENT" IN INDIA IS AIMED PRINCIPALLY IF NOT EXCLUSIVELY
AT THE TECHNOLOGY ASPECT RATHER THAN AT RESOURCE FLOWS. INDENTI-
FICATION OF TECHNOLOGY TRANSFER AS SPECIFIC TOPIC FOR SUBCOM-
MISSION WOULD DEFINITELY HEIGHTEN GOI INTEREST. PROBLEM IS HOW TO
AVOID OVERLY TECHNICAL DISCUSSION. THE BEST RESULT WE WOULD EXPECT
WOULD BE FAIRLY HIGH-LEVEL REVIEW OF POLICY OUTLOOK GUIDING INDIAN
PATENT, ROYALTY, AGENCY, ETC. LAW AND PRACTICES; U.S. SIDE WOULD
BE CALLED ON TO COMMENT ON HOW, FROM U.S. PERSPECTIVE, GOI AP-
PROACH HINDERS OR STIMULATES RELEASE OF TECHNOLOGY BY U.S.
OWNERS. ALTERNATIVE WOULD BE TO MAKE PRESENTATION ON U.S. AC-
TIONS TO FACILITATE LDC ACCESS TO U.S. TECHNOLOGY TAKEN AS FOLLOW-
UP TO SECRETARY KISSINGER'S SPEECH AT UN SEVENTH SPECIAL SESSION.

5. WE AGREE WITH DEPT'S INCLINATION TO TERMINATE AGRICULTURAL
INPUTS WORKING GROUP. ON BALANCE WE WOULD NOT ENDORSE INVOLVE-
MENT OF U.S. BUSINESSES IN INDIAN AGRICULTURAL SECTOR. GOI HAS THE
CAPACITY TO ACQUIRE NEEDED TECHNOLOGY DIRECTLY. MORE IMPORTANTLY,
NO AMERICAN FIRM COULD BE INVOLVED IN EXTENSIVE LAND HOLDING OR
RESTRUCTURING OF LAND TENURE. WE MIGHT ASK GOI IF IT HAS PARTICULAR
INTEREST IN FOREIGN COLLABORATION IN FOOD PROCESSING OR OTHER AGRI-
CULTURAL RAW MATERIAL PROCESSING INDUSTRIES.

6. SUBCOMMISSION SHOULD REVIEW THE STATUS OF THE DOUBLE TAXA-
TION NEGOTIATIONS. IT APPEARS NOW THAT NEXT ROUND OF TALKS WILL
TAKE PLACE AROUND APRIL IN WASHINGTON. WE WOULD WANT TO
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CONFIRM THAT INDIANS ARE INTERESTED IN REASONABLY SPEEDY CON-
CLUSION OF NEGOTIATIONS AND SEE NO MAJOR OBSTACLES.

7. WE WOULD LEAVE OPEN AT THIS STAGE WHETHER TO RAISE CIVIL
AVIATION OR SHIPPING AT SUBCOMMISSION. IN FORMER AREA, IF GOI'S
TENTATIVE DECISION TO ELIMINATE \$100 FOREIGN EXCHANGE "BONUS" FOR
AIR INDIA TRAVELERS IS NOT IMPLEMENTED, WE BELIEVE PATTERN

OF DISCRIMINATORY PRACTICES IN FAVOR OF NATIONAL CARRIER WOULD WARRANT RENEWED OFFICIAL PROTEST. WITH REGARD TO SHIPPING, GOI HAD CONSIDERED RAISING ISSUE OF EXCESSIVE FREIGHT RATES AT LAST MEETING. MATTER IS NOT OF SUCH PRESSING INTEREST TO THEM AT THE PRESENT TIME, BUT DEPT MAY WISH TO CONSIDER WHETHER LARGER ISSUES OF REGULATION OF LINER CONFERENCES OR SPECIFIC ISSUES OF NEW ARRANGEMENTS COMPANIES NOW WORKING ON FOR BOMBAY-ATLANTIC COAST TRADE ROUTE DESERVE SOME DISCUSSION.

8. MINFINANCE JOINT SECRETARY V. KRISHNASWAMY TOLD ECONCOUNS DECEMBER 6 THAT HE HE WORKING ON DRAFT OF INDIAN PROPOSAL FOR AGENDA OF NEXT SUBCOMMISSION MEETING. WHILE LIST STILL NOT COMPLETE, IT WILL CONTAIN THESE THREE ITEMS: (A) A GOI PRESENTATION ON THE REVISION OF ITS FOREIGN INVESTMENT GUIDELINES, EMPHASIZING THEIR GREATER FLEXIBILITY. (B) AN EXPRESSION OF THE GOI'S GREAT APPRECIATION OFR U.S. ASSISTANCE IN THE AREA OF THIRD COUNTRY PROJECTS. IN THIS CONNECTION, KRISHNASWAMY REFERRED-- NOT FOR THE FIRST TIME--TO THE OPIC ARTICLE. (COMMENT: WE ARE NOT AWARE THAT THE ARTICLE HAS ACTUALLY BEEN PUBLISHED. DEPT AND OPIC SHOULD MAKE SPECIAL EFFORT TO GET THE ARTICLE IN PRINT BEFORE SUBCOMMISSION MEETING.) (C) A GOI PRESENTATION ON THE ATTRACTIVENESS OF ITS COMPUTER SOFTWARE INDUSTRY FOR U.S. CONSUMERS.

9. MAJOR PENDING PROBLEMS FACING OPEATIONS OF U.S. COMPANIES IN INDIA (OMITTING DRUG COMPANIES AND AIR CARRIERS) WILL BE SENT SEPTTEL TOMORROW.
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